

FISCAL NOTE

SB 3152 – HB 3443

March 8, 2006

SUMMARY OF BILL: Defines “ingredient food” and “whole food” as it applies to sales and use tax law. Exempts the retail sale of any whole food, ingredient food, and baby formula from sales and use tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – \$184,600,000

Decrease Local Govt. Revenues – Net Impact – \$77,400,000

Assumptions:

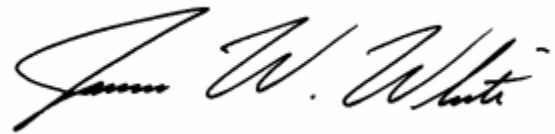
- “Ingredient food” means a common ingredient used in preparing food for human consumption, including, but not limited to, salt, pepper, spices, sugar, or flour; provided that ingredient food does not include any ingredient containing artificial sweeteners, artificial flavors, artificial colors or preservatives or any combination thereof.
- “Whole food” means untreated food for human consumption, including, but not limited to, fresh, frozen or canned vegetables, fresh, frozen or canned fruit, pure juices, unprocessed meats, nuts, rice, coffee and tea; provided that whole food does not include any food containing artificial sweeteners, artificial flavors, artificial colors or preservatives or any combination thereof but may contain vitamin additives.
- Current state sales tax rate on food is 6%.
- According to the Department of Revenue (DOR), approximately \$443.4 million in revenues were collected from the sales tax on food in FY04-05.
- Estimated tax base for FY04-05 is \$7.39 billion (\$443.4 million ÷ 6% state rate = \$7.39 billion).
- Annual growth of base is estimated at 2%.
- Estimated tax base for FY06-07 is \$7.69 billion $(\$7.39 \text{ billion} \times 102\%) \times 102\% = \7.69 billion .
- According to DOR sources, approximately 40% of the total grocery expenses are for food items specified in this bill.
- Approximately \$3.076 billion of estimated base would be for items specified in this bill $(\$7.69 \text{ billion base} \times 40\% = \$3.076 \text{ billion})$.

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- The decrease to state revenues is estimated to be \$184.6 million ($\$3.076 \text{ billion} \times 6\% \text{ state rate} = \184.6 million).
- Local governments are allocated a 4.4194% share of sales tax revenue.
- Local government share of state-shared tax revenue is estimated at \$8.16 million ($\$184.6 \text{ million} \times 4.4194\% \text{ local share} = \8.16 million).
- Local option tax rate is 2.25%.
- The decrease to local government revenues from eliminating local option tax on food is estimated at \$69.2 million ($\$3.076 \text{ billion} \times 2.25\% \text{ local option tax rate} = \69.2 million).
- The net decrease to local government revenues is estimated to be \$77.4 million ($\$69.2 \text{ million in local option tax revenue} + \$8.16 \text{ million in state-shared tax revenue} = \77.4 million).
- This act shall take effect on July 1, 2006.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director